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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

JAN 29 1997

In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Transport Rate Structure and Pricing	)	CC Docket No. 91-213

COMMENTS OF WORLDCOM, INC.

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SUMMARY

A. WorldCom's Perspective on Access Reform

- **Access reform should promote consumers' closely inter-related interests in lower long distance rates and future local competition.**
  - Access is fundamentally different from end user services: access is primarily a production input that carriers use to create end user services.
  - Today, monopoly ILEC access charges artificially inflate long distance rates for all consumers.
  - For structural reasons, "access competition" per se is not possible in ways that would reduce the access costs of stand-alone IXCs. Rather, ILECs will face pressure on their access rates only with the development of local competition, and the ability of competing carriers to supply access to local customers they have won from the ILECs.

- **Access reform should make use of competitive pressure on access rates where possible, recognizing that some access rate elements are much less subject to such pressures.**
  - Charges to end users: Incumbent LECs and new entrants will compete directly for end user business, so charges to end users are likely to become competitive -- if local competition develops.
  - Charges to carriers:

    Special access and dedicated transport -- should become competitive if the 1996 Act is implemented successfully.

    Originating switched access charges -- will remain a bottleneck for stand-alone IXCs, and will not become competitive per se. But will become avoidable to the extent IXCs can self-supply originating access through vertical integration, as full-service local and long distance carriers, or through special access.

    Terminating switched access charges -- are not likely to be subject to competition in the foreseeable future, because the party placing the call -- or that party's IXC -- has little or no ability to influence the called party's choice of local carrier.

    Bulk billed-type charges -- charges imposed whether or not a carrier uses ILEC access by definition could never become competitive.

B. Governing Principles for Market-Driven Access Reform

1. Local competition is the best way to discipline incumbent LECs' access rates and achieve long-term access reform.

- In the short run, the Commission must make rate structure reforms that facilitate local competition, and prescriptive rate level changes targeted to rates that will not be subject to competitive pressure. Comprehensive rate level prescriptions can be avoided initially.

- In the somewhat longer term, the Commission should use both "carrots" and "sticks" to induce the incumbent LECs to provide interconnection and unbundled network elements at reasonable rates, terms, and conditions.

  > The "carrot": incumbent LECs that have fully satisfied the competitive checklist should be allowed certain forms of pricing flexibility.

  > The "stick": if an incumbent LEC has not fully satisfied the checklist by a date certain, the Commission should proceed with aggressively prescriptive access rate reductions.

2. No incumbent LEC revenue stream should be guaranteed or shielded from competition.

- A guaranteed revenue stream would be inconsistent with market-based access reform; it would eliminate competitive discipline for such revenues, and thus perpetuate above cost access charges.

- It would also create a formidable barrier to entry, giving incumbent LECs a revenue stream not available to their competitors that they could use to cross-subsidize competitive services.

- Under the 1996 Act, the incumbent LECs have no legal right or policy basis for guaranteed recovery of past investments.

3. The Commission must be vigilant to prevent discrimination and other anti-competitive conduct by the incumbent LECs during the transition to competition.

- During the transition period, the Commission must not allow forms of pricing flexibility that would enable incumbent LECs to discriminate in favor of their affiliates or other favored customers, thus forestalling local competition without bringing overall access rates closer to cost.

- Such discriminatory forms of pricing flexibility include contract tariffs, competitive response tariffs, additional authority for volume discounts or discounts for terms longer than 3 years, or deregulation of "new" services.

C. Recommended Baseline Access Rate Structure and Rate Level Changes to Set the Stage for Local Competition.

- **Rate Structure**:
  Recover the costs of dedicated facilities through non-traffic sensitive, flat rates:
  - Subscriber loops:
    > Eliminate the per-minute carrier common line charge.

    > Eliminate the cap on the subscriber line charges for all lines, or at least for business and additional residential lines.

    > Recover any remaining loop costs as flat rate from IXCs; forbear on Section 254(g) to permit IXCs to recover on a geographically deaveraged basis.
  - Line-side port component of local switching: Flat rate charge either on end users or on IXCs (with forbearance on Section 254(g)).

- **Rate Level**:

  Initial prescriptive rate level changes should be focused on elements least subject to competitive pressure. We recommend that the Commission initially set rates based on forward-looking economic costs only for the following:
  - Terminating Local Switching -- because terminating switched access rates are least likely to become subject to competitive pressure.
  - Tandem Switching -- in response to the CompTel v. FCC remand.
  - Line-Side Port Component of Local Switching -- to initialize a new rate element and adjust the per-minute charge accordingly.

- **Transport Interconnection Charge**:
  - Eliminate the TIC immediately, or as soon as possible.
  - Take first from the TIC all access rate reductions due to universal service, price caps, and end of equal access reconfiguration amortization; remove SS7 costs, retail marketing costs, and costs of non-regulated facilities from the TIC.
  - Modify the rate structure of any residual TIC to be a flat rate charge per presubscribed line.

D. Manage the Transition to Competition By Offering Incentives to ILECs

- Phase I -- "Potential Competition": Incumbent LECs that are providing unbundled network elements under pro-competitive terms and conditions and at forward-looking cost based rates, and that fully comply with other prerequisites to local competition, should be permitted certain forms of pricing flexibility:
  - At Phase I, permit: geographic deaveraging of all access services; term discounts of no more than 3 years; streamlined regulation of truly new services (that cannot be substituted for existing access services).
  - Do not permit: contract tariffs; competitive response tariffs; additional authority for volume discounts or discounts for terms longer than 3 years; or deregulation of services that can be substituted for existing services.
  - Competitively neutral universal service mechanisms should be fully implemented and the TIC should be eliminated before Phase I measures are allowed.
- Phase II -- "Substantial Full-Service Competition": Incumbent LECs that can show an economically substantial degree of full-service competition, measured using the Herfindahl-Hirshman Index, should be allowed additional pricing flexibility.
  - But the Commission should not deregulate the rate structure rules for dominant ILECs (especially for terminating access).
  - The Commission could consider subdividing Phase II into two intermediate phases ("emerging full service competition" and "substantial full service competition"). Such distinctions could permit a more tailored approach to further ILEC rate regulation.
- If an incumbent LEC has not fully complied with the checklist of local competition prerequisites by Jan. 1, 1999, the Commission should prescribe all of its access rates based on forward-looking economic cost.

E. Retain the Rule that Information Service Providers Need Not Pay Interstate Carrier Access Charges.

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COMMENTS OF WORLDCOM, INC.

WorldCom, Inc. ("WorldCom") hereby submits its initial comments on the Commission's Notice of Proposed Rulemaking, FCC 96-488 (released December 24, 1996) ("Notice") in this proceeding.

INTRODUCTION

A. The Perspective of the "New" WorldCom.

Both of the companies that recently merged to form the new WorldCom -- LDDS WorldCom and MFS Communications Company, Inc. -- have a direct and long-standing interest in access charge reform issues. Both firms have participated actively in prior Commission rulemakings on local exchange carrier price caps, expanded interconnection, transport rate structure, and other proceedings relating to access charges.

However, we approach this proceeding with fresh eyes, for two reasons. First, the Telecommunications Act of 1996 ("1996 Act" or "the Act") 1/ necessarily changes the competitive problems surrounding access in important ways. The Act establishes tools to pry open the incumbent local exchange carrier ("ILEC") bottleneck, and hence sets the stage for eventual reductions in ILEC market power that can support reduced access regulation in the future. The Act also creates opportunities for the regional Bell operating companies ("RBOCs") to enter the interLATA market and become competitors of their interstate access customers rather than simply suppliers. And the Act requires current subsidies in access rates to be removed and recovered through a nondiscriminatory universal service fund. All of these developments obligate the Commission -- and all parties -- to rethink how critical access services should be regulated in the transition to a more competitive world.

The second reason our participation here will be different is that, out of our recent merger, we approach access reform from the perspective of a future full service carrier. As such, WorldCom is specially positioned to comment on the issues raised in the Notice. Before the merger, LDDS WorldCom was the fourth largest provider of interexchange services, offering both retail long distance service to end users and wholesale network services to carriers. MFS was the nation's leading

1/ Pub. L. No. 104-104, 110 Stat. 56, codified at 47 U.S.C. §§ 151 et seq.

facilities-based competitive local exchange carrier. MFS also owned UUNet, a major Internet access company and provider of Internet backbone service. The combination of these three companies' facilities-based networks, customer bases, and technological and marketing expertise presages the full service carriers on the horizon.

Indeed, the new WorldCom is a direct product of the opportunities created by the 1996 Act. We are working to position ourselves to compete in the future full service world. By that we mean a world in which a carrier can offer its own local services and, by virtue of being a LEC, self-provision originating access to its own long distance services and provide terminating access to others. Importantly, resale of the ILEC's retail local services pursuant to Section 251(c)(4) of the Act does not meet that criterion. The reselling carrier in that case is not engaged in true full service competition across all product lines. It is largely just another marketing arm for the ILEC's own local services, and -- crucial to this proceeding -- is still required to pay access charges to the ILEC for long distance.

The access market power of the ILEC will be reduced only when the IXC can avoid ILEC access charges, typically by replacing the ILEC as a customer's underlying local carrier using some or all of the ILEC's network elements to do so. The Act creates the mechanisms to make such competition possible, at least assuming that the Act is fully implemented. We approach access reform from this perspective -- not as a stand-alone interexchange carrier ("IXC") or a competitive access provider ("CAP") or a competitive local exchange carrier ("CLEC") or an

Internet provider -- but as a company at the center of the developing convergence of these market segments. 2/

B. The Over-Riding Interest of Consumers.

That said, WorldCom recognizes that its own business plans by themselves are not the concern of this docket. The issue here is how to improve consumer welfare by improving the competitive long distance and local options available in the market, options that depend upon the price and quality of access. Today overpriced access charges raise long distance rate levels and prevent consumers from making efficient use of the nation's interexchange infrastructure to communicate with one another. This deadweight loss imposes a significant social cost on the economy and on the quality of life of all Americans. Access reform will be a success if end-to-end long distance rates move to cost, and market pressures eventually replace regulation in ensuring this result.

Furthermore, overpriced access charges are a roadblock to competitive local choice for consumers -- particularly insofar as the current structure essentially guarantees ILECs large amounts of access revenue protected from even the theoretical possibility of competitive pressure. Access reform must break down these barricades or local competition will fail.

2/ WorldCom generally will reserve comment on information service provider issues to the Notice of Inquiry proceeding on that subject (CC Docket No. 96-263).

WorldCom assumes that other parties will discuss inefficiencies in ILEC rates in detail. We strongly agree that those rates must come down to cost.

Our focus here is on the linkage between access reform and local competition. WorldCom discusses below why "access competition" is in many ways a misnomer because access per se is generally not a competitive service, and will not become one for the foreseeable future. Rather, competitors must be able to use the ILEC network to become local carriers themselves, and therefore win the ability to avoid purchasing ILEC access as much as possible.

Thus, this proceeding is heavily dependent on successful implementation of Sections 251 and 252 of the 1996 Act. Through use of unbundled elements in either disaggregated or combined "platform" configurations, ILEC competitors have the possibility to reduce their dependence on ILEC access services. Of course, even then the ILEC bottleneck will continue because other carriers will remain dependent on the underlying ILEC network facility itself for the indefinite future. But at least if interconnection and unbundling rules are properly implemented and enforced, competitive pressure on most access service revenue is possible. Conversely, if ILECs deny competitors economically efficient use of their network elements -- through discrimination, excessive pricing, inadequate operational support, or sheer resistance to offering elements in a combined "platform" configuration -- then "access reform" will fail, and the ILEC access monopoly will remain whole. 3/

It follows that decisions in this docket must advance local competition opportunities, while deferring reduced regulation of incumbent LEC access until local service -- and in fact full service -- options are available to consumers from multiple competing suppliers. 4/ Today it is premature to judge how quickly local competition will arrive. WorldCom itself continues to obtain virtually all of its

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3/ In that regard, we note that some ILECs are contesting the ability of competitors to purchase a combination of loops, switching and transport together as a "platform" for the provision of both local services to end users and access to themselves or other carriers. These ILECs take the position that such a combination of network elements should be priced the same as the ILECs' wholesale local services, with the competitor denied the right to use the elements to provision access to itself or others.

This ILEC position violates the Commission's landmark decision implementing Sections 251 and 252 of the 1996 Act. See Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, First Report and Order, 11 FCC Rcd 15499 (1996) ("Local Competition Order"), second recon., FCC 96-476 (released Dec. 13, 1996), 11 FCC Rcd 13042 (1996) ("Local Competition First Reconsideration Order"), petition for review pending and partial stay granted, sub. nom. Iowa Utilities Board et.al.v. FCC, No. 96-3321 (8th Cir., Oct. 15, 1996), partial stay lifted in part, Iowa Utilities Board v. FCC, No. 96-3321 (8th Cir. Nov. 1, 1996). It goes to the heart of the access reform issue, for if competitors cannot use combined ILEC elements to provide both end user and carrier access services, the basic predicate for market-based access reform is eliminated. In that case, prescriptive rate reform across all access rate elements would become critical.

4/ WorldCom does not oppose changes in the regulation of ILEC access as such access faces competition. The issue is when and how such regulatory changes should be phased in. We discuss this issue further below.

access from the incumbent LECs. We therefore remain entirely subject to the incumbent LECs' dominant access position. The Commission is also well-aware of ILEC resistance to the mandates of the 1996 Act.

Even assuming ILEC cooperation with network unbundling/platform implementation, it still will take time for IXCs to evolve from providing only stand-alone interexchange service to the provision of local service too. This is true even of a company like WorldCom, which already is committed to becoming a local competitor. Until that process is completed in any given location, long distance customers and their carriers remain almost entirely captive to ILEC access charges.

The competitive options of consumers will depend upon how well the Commission manages the transition from local monopoly to full service competition. Done correctly, access reform can facilitate the local competition that in turn will reduce the need for access regulation. But done incorrectly, access reform could lead to reconcentration of the interexchange market, as incumbent LECs leverage their access position against unaffiliated IXCs. ILECs could be prematurely unleashed to discriminate in favor of their own interexchange services, and to use unreasonable cross-subsidies to block local competition at the starting gate.

In its comments below, WorldCom makes recommendations regarding how reform of access charges should proceed in a post-1996 Act environment. We begin with an overview of the structural and market problems most relevant to access reform. We then address specific rate structure, pricing and regulatory reform proposals.

I. OVERVIEW: MANAGING THE TRANSITION FROM ACCESS MONOPOLY TO FULL SERVICE COMPETITION.

[Notice, Sections I and IV]

In this section of its comments, WorldCom discusses the nature of access service, the limitations on the extent to which access (especially terminating switched access) can ever become a competitive offering, and the policy consequences for the Commission's reform of the current access rules. We first demonstrate that switched access faces structural barriers that are likely to prevent that service from becoming competitive per se. We explain how aggressive competitive pressure on access cost instead can be created primarily through the ability of an IXC to avoid purchasing switched access at all -- i.e., by becoming a local carrier.

These market problems in turn lead to overarching principles that WorldCom suggests should guide the Commission in this proceeding. New access rules should enhance the ability of carriers to become local service providers in competition with the ILECs. The access rules should ensure that ILEC access costs are recovered through the elements of access that are most subject to competition. In no event should any ILEC access revenue streams be shielded from competitive pressures. And finally, reductions in the regulation of ILEC access should be sensitive to new ILEC incentives to engage in anticompetitive behavior against both their access customers and their future local competitors. These matters are discussed further below.

A. Access Reform Must Begin With A Recognition of the Structural Barriers to Actual "Switched Access Competition."

1. The Role of the Access Input.

The Notice posits a future in which competitive market forces may replace regulation of interstate access services. WorldCom completely agrees with this long-term goal. However, the Commission must begin this transition from monopoly with a clear understanding of where competitive pressure on incumbent LEC access rates is possible -- and where it is not. We are concerned that the Notice overstates the potential for "access competition," and therefore may lead the Commission to consider changes to access rules that are ill-advised, or at least very premature. In particular, the Commission must appreciate that the ILECs' access dominance will continue until local competition -- and indeed full service competition -- is well established.

It is useful to start by reemphasizing the obvious: that interstate access service is fundamentally different from the kind of end user services that the FCC regulates elsewhere. By and large, access is not a final product itself. Rather, it is a necessary production *input* to the final interexchange service products offered by long distance carriers to end users. 5/ Furthermore, access is far from a trivial

5/ We recognize that certain very large volume end users also purchase certain access services. However, that fact does not materially change the primary role of access as an input to interexchange carrier services. Indeed, "access charges" were created to govern interconnection of IXCs with monopoly LECs.

production input. Historically and continuing today, access has made up approximately 40% of an IXC's cost. 6/ It is essentially a wholesale piece part priced in a way that directly and disproportionately drives actual retail rates for end to end long distance service.

It follows that decisions made here will have a direct impact on the efficiency and competitive diversity of the interexchange options available to consumers today. 7/ WorldCom supports access rule changes that will make the crucial access input more efficient and cost-based. Such changes will make long distance telecommunications more affordable for all consumers. At the same time, such changes must be sensitive to the danger that ILECs will use their existing dominance over the access input to damage the interexchange competition that consumers already enjoy. Incentives for such discrimination are rising as the RBOCs plan to become interexchange carriers in competition with their access

6/ See Federal Perspectives on Access Charge Reform, FCC Access Reform Task Force at 1 (Apr. 30, 1993).

7/ The access market is completely different from the long distance market, and the Commission should resist simple analogies to the process by which it reduced regulation of AT&T. For example, when that process began, consumers already had competitive options to AT&T that imposed at least some check on AT&T rate levels. More importantly, long distance is not a predominant business cost for end users, so the Commission could be more comfortable that discrimination by AT&T in the sale of long distance would not distort other markets. For example, competition among drug stores (or even drug store chains) does not turn on their relative long distance costs. In contrast, relative access cost is directly tied to the competitive position of a long distance company. Any ILEC access discrimination therefore flows through to affect the long distance choices available to end users.

customers. Access rule changes also must recognize the danger of unreasonable ILEC cross-subsidization of local services facing incipient competitive entry. If ILECs can stall local competition, they can block the only means by which their access monopoly can be reduced.

2. Different Access Elements are Subject to Different Levels of Competitive Pressure.

The Commission has suggested that it may use both prescriptive and market pressures to drive access rates toward cost. WorldCom discusses below how the Commission should balance these tools, especially during the initial stages of the transition from access monopoly. However, the starting point is an understanding of the relative susceptibility of access rate elements to competition. The Commission can then focus its prescriptive attention first on driving non-competitive services to cost, while also fostering market competition where that is possible.

Access can be considered to fall into five broad categories: (a) end user charges; (b) special access and dedicated transport; (c) terminating switched access; (d) originating switched access; and (e) "bulk billed" charges unrelated to a particular service. Each of these categories raises different structural issues when one considers potential competition.

a. End User Charges (subject to competitive pressure through local competition).

End user charges are potentially the most directly subject to competitive pressure, at least provided that local competition develops as anticipated by the 1996 Act. Local competition by definition involves price competition to win the local business of the end user. With that "win" comes the right to sell the end user other services such as vertical features and toll -- and importantly, the right to self-supply access and sell access to other carriers. From the perspective of the end user, "subscriber line charges" (if charged separately in the future at all) will be part and parcel of the rates of the local carriers competing for his or her business.

If local competition succeeds, end user charges will benefit directly from competitive pressure. 8/ Carriers will have incentives to reduce end user charges (including any SLC) to capture the overall business associated with a particular customer. Again, this local competition depends entirely on the availability of ILEC network elements, notably the subscriber loop itself, at TELRIC prices and under non-discriminatory operational systems. WorldCom is

8/ Competition also is critically dependent on all competitors having non-discriminatory eligibility for universal service support, whether ILECs or a competitor like WorldCom. All end users should see local competition provided that universal service subsidies are properly identified and made portable so that they flow to the local carrier selected by any given end user whose line is eligible for such subsidies. However, all local carriers must be eligible to collect such subsidies whether they use none of the ILEC network elements, some of them, or a combination of them in a "platform" configuration.

assuming in this docket that the Commission's Local Competition Order is fully implemented. Otherwise even this element of access will not become competitive. 9/

b. Special Access and Dedicated Transport (not competitive yet, but may become competitive).

The 1996 Act builds on the Commission's work in the Expanded Interconnection docket (and related work by the states) to create conditions under which competition in the provision of special access and dedicated transport should be possible. 10/ However, many steps remain to implement the Act, and the rules that the Commission adopted in connection with Sections 251 and 252. The incumbent LECs currently face only pockets of limited dedicated access competition in certain cities. It remains to be seen how quickly (and how broadly) the promise of the Act can become a reality. All that said, WorldCom is hopeful that gradually, over time, special access and dedicated transport can become competitive services on a widespread basis.

c. Terminating Switched Access (will not become competitive).

In contrast, the Notice correctly recognizes that IXCs will not enjoy competitive choice with respect to terminating switched access, now or in the

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9/ ILECs may attempt to resist maximum recovery of access revenues through end user charges insofar as they anticipate experiencing these competitive pressures following implementation of the unbundling provisions of the Act.

10/ In contrast, common transport will be slower to experience competition.

foreseeable future. 11/ IXCs necessarily must pay the rate charged by the called party's LEC. As the Notice states: "The calling party, or its long distance service provider, has little or no ability to influence the called party's choice of service provider." 12/ WorldCom fully agrees with this conclusion. Incumbent LECs will never face competitive pressure for their terminating access rates. 13/

d. Originating Switched Access (will not become competitive, but may become avoidable through local competition).

Originating switched access presents much the same problem as terminating from the point of view of a stand-alone long distance carrier. The IXC generally must pay the switched access rate of the calling party's LEC. Today that means paying the rates of the ILECs, who control virtually 100% of all local

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11/ WorldCom agrees that originating "open end" minutes (such as 800 service) are substantially equivalent to terminating minutes for access purposes. Access charges for such minutes will not become competitive.

12/ Notice, ¶ 271.

13/ WorldCom does not oppose rules prohibiting competitive local carriers (including ourselves) from charging higher terminating rates than the local ILEC. See infra Section IV.A.

We do not rule out the possibility that, in the future, "full service" carriers may agree to terminate each other's interexchange traffic on the basis of reciprocal compensation, bill and keep, or some other arrangement. But that change presupposes that interconnecting carriers have the ability to provide such terminating access service to each other. It is not applicable to stand-alone long distance carriers (including those reselling ILEC service) who do not bring their own local customers to the table.

business. But in the future it could also mean paying the originating rate of some other LEC who has won the customer from the ILEC. 14/ In either case the stand-alone long distance company does not have a competitive choice with respect to the rate it pays for originating switched access. Put another way, *neither* originating switched access *nor* terminating switched access will become competitive services from the point of view of an IXC that must purchase that input in order to offer long distance to end users.

The Notice does not fully appreciate this dilemma. The Notice appears to contemplate that in the future IXCs could have competitive options for their originating switched access needs. But the Notice largely refers to paths by which an IXC might be able to *avoid* purchasing originating switched access at all. These paths come in two flavors: special access, and self supply through vertical integration. The availability of the first option depends on the amount of the end user's interexchange usage, the price of ILEC special access, and the opportunities for competitive special access that may develop. It is not a viable solution for serving most customers.

The second option is more promising in the long term, as the Notice seems to recognize. The Telecom Act creates the opportunity for an IXC to enter the

14/ For this reason, WorldCom would not oppose a rule for originating switched access parallel to the one suggested in the Notice with respect to terminating access: new local carriers such as WorldCom would be prohibited from charging higher originating switched access rates than the ILEC.

local service business itself either by constructing its own facilities, using unbundled network elements provided by the ILEC, or both. Having done so, when the IXC wins a local customer, it can provide originating access to itself instead of purchasing the input from the incumbent LEC. 15/ Importantly, however, this path does not provide the IXC with originating access choices to serve any customers who retain the incumbent LEC as their local service provider (or who take service from alternative local carriers). 16/ Nor is it available to IXCs that provide local service by reselling the retail services of the ILECs pursuant to Section 251(c)(4).

15/ See, e.g., Notice, ¶ 170.

16/ The Commission may also see variations on these themes. For example, an IXC may partner with a local provider, integrating downstream in that fashion. In doing so, however, the IXC still remains subject to the originating switched access charges of the ILEC to reach all ILEC customers.

At one point, the Notice suggests that in the future IXCs may be able to convince end users to choose local carriers based on the relative level of originating access rates such LECs charge (or convince end users to subscribe to separate local lines for out-going interexchange service). See Notice, ¶ 271. We do not necessarily rule out that these options may also come to impose competitive pressure on ILEC originating switched access rates. However, outside the special access context, it seems much more likely that consumers will choose local providers based on the rates such providers charge the consumer directly for local service, rather than the rates the consumer may pay indirectly in interexchange charges. For one thing, it is unclear how directly IXCs will be able to "charge back" access to the cost-causing line in their general toll rates, particularly given the rate averaging requirements of Section 254(g).

In any event, the availability of these end user-driven opportunities still depends on full implementation of Section 251, and creation of local service competition, just as much as the "self-supply" option discussed above. Yet most new local carriers, including WorldCom, are likely to be offering long distance services to their local customers themselves. Therefore, it remains to be seen whether this

[Footnote continued]